

How Tax Increment Works

Prior to creating a Tax Increment District the property is taxed based on the value of the unimproved land. The taxes go to all the taxing jurisdictions (state, county, school district, city).

The district is created prior to any improvements being added to the tax roll. (Before any construction is completed) At the point the district is created, the base taxable value is frozen. The taxing jurisdictions continue to get the same taxes from the property as they did before the district was created, the base tax.

Any increased tax value resulting from construction on the property or other improvements is called *increment* thus the term *tax increment*.

Taxes paid by the property owner on the new improvements, called *tax increment*, is held separately from the base value taxes collected before the district was created.

The *tax increment* is then used to satisfy debt service on bonds that were sold to pay for some public infrastructure. In this case the bonds were to be sold to purchase the rail spur.

After the bonds are paid off, then the Tax Increment District dissolves. From that point the taxing jurisdictions realize the full benefit from all the taxes paid on the improved property.

History of IMC TIF Issue

The City created a TIF district (the Central Montana Agricultural and Technology Park TIF District) in May of 2005. This Ordinance set the base taxable year as January 1, 2005 (before any construction and thus taxable value)

The International Malting Company, the park's major tenant and user of the rail spur, did not file its amended plat on time, so the base taxable year was set by the State at January 1, 2006, after most of the construction was complete and the taxable value had increased to \$353,240. The goal of the City's establishment of the district was to use this increment to finance a rail spur that is key to the development of that area.

The rail spur is currently in private ownership (IMC). The change in the base tax year has left the City without the funding mechanism to acquire the rail spur from International Malting Company, LLC. The purpose of this acquisition is to ensure that future developments in the Agricultural and Technology Park will have adequate access to rail infrastructure for the delivery and shipping of products. It is important that the rail spur is in public ownership.

Access to this infrastructure will encourage development of the Park, create job opportunities and thereby increase the tax base of the City and other taxing jurisdictions.

It will also help to develop additional markets for agricultural producers in rural Montana.

Sen. MITCH
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